Item 546-D GA1.13: HRD-81-24/Sum

JAN 5 1981

BY THE COMPTROLLER GENERAL

ORIGINAL

Report To The Congress

OF THE UNITED STATES

COMPLETED

Legislation On Sizing Military Medical Facilities Needed To Correct Improper Practices, Save Money, And Resolve Policy Conflicts

SUMMARY

The Department of Defense should have the flexibility to plan the size of new military hospitals and clinics based on considerations of (1) cost effectiveness, (2) staff availability, (3) realistic workload projections, and (4) teaching and training requirements. Under current rules, only the last factor is considered in planning space for retirees and dependents of retired and deceased members in new or replacement medical facilities.

GAO recommends that the Congress enact legislation allowing DOD to provide space in new and replacement hospitals and clinics to meet the needs of all eligible beneficiaries if it is found to be both cost effective and feasible in terms of staff availability.

HRD - 81 - 24
DECEMBER 17, 1980

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

LEGISLATION ON SIZING MILITARY MEDICAL FACILITIES NEEDED TO CORRECT IMPROPER PRACTICES, SAVE MONEY, AND RESOLVE POLICY CONFLICTS

D I G E S T

Since the size of new military hospitals and clinics has a direct effect on their costs of construction and operation, the methods and assumptions used to determine appropriate sizes for these facilities are crucial. A key consideration in determining the size of these facilities is the extent to which space is needed for retirees and dependents of retired and deceased members. This factor has important policy implications because it will affect (1) the cost of constructing and operating medical facilities in the future and (2) the medical benefits available to military beneficiaries.

The Department of Defense (DOD) received about $63 million in fiscal year 1980 to replace or renovate existing medical facilities or construct new ones and requested about $248 million in fiscal year 1981. DOD spent about $2.6 billion to operate its medical facilities in fiscal year 1979.

GAO believes DOD should have the flexibility to plan the size of new military hospitals and clinics based on considerations of (1) cost effectiveness, (2) staff availability, (3) realistic workload projections, and (4) teaching and training requirements. Under existing legislation and current DOD instructions, only teaching and training requirements are considered in planning space for retirees and dependents of retired and deceased members in new or replacement medical facilities. New legislation could

--correct the services' current improper sizing practices,

--save money in the long run, and

--align the sizing policy with the policy for providing staff and other medical resources to facilities once they are built.

GAO suggests a new policy allowing DOD to provide space in new and replacement medical facilities to meet the needs of all eligible beneficiaries, including retirees and dependents of retired and deceased members if it is found on the basis of detailed life-cycle economic analysis to be both cost effective and feasible in terms of staff availability to do so.

Such a policy would improve DOD's ability to satisfy its perceived moral obligation regarding the treatment of military retirees and dependents of retired and deceased members in military facilities. Moreover, to the extent that such a policy would result in the construction of facilities with greater capacity, it would, in GAO's opinion, be consistent with DOD's responsibilities to provide adequate medical facilities to meet its responsibilities in a war or national emergency. The Congress will need to amend title 10, section 1087, U.S. Code, to allow such a policy to be adopted and implemented.

CURRENT LAW AND DOD INSTRUCTIONS LIMIT SIZE OF NEW HOSPITALS AND CLINICS

Currently, the military services are required to limit the size of new hospitals and clinics to accommodate active-duty members and their dependents, plus additional capacity normally not exceeding 5 or 10 percent to meet training and teaching requirements. This additional capacity is the only space provided to meet

the needs of retirees and dependents of retired and deceased members in planning new or replacement military medical facilities unless there is a projected critical shortage of community facilities. Eligible beneficiaries not accommodated in military facilities can receive care from civilian providers and receive reimbursement for some or all of the expense through the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

In July 1976, the House and Senate Committees on Appropriations directed DOD to review the 5- and 10-percent capacity limits, indicating the Congress would consider providing additional beds in new military hospitals for beneficiaries now receiving care under CHAMPUS, if the overall cost of in-house treatment were shown to be less costly to the Government. However, DOD has not modified its instructions on sizing military medical facilities since 1968. (See pp. 9 and 10.)

MILITARY SERVICES DO NOT FULLY COMPLY WITH SIZING LIMITATIONS

The method the three military services now use to size their new and replacement hospitals and clinics can lead to the construction of larger medical facilities than allowed by law or DOD instruction. While the military services generally apply the 5- and 10-percent limitations to determine inpatient bed needs, they do not generally use them to estimate outpatient or ancillary support requirements.

GAO believes this piecemeal application of the limitations to only one of the three major components of a hospital is improper. Although in some cases, DOD and the services may find it more cost effective or better in terms of providing service benefits to

size facilities to meet total expected workloads, GAO believes current practices circumvent legislative requirements and, therefore, require some action--either enforcement of the requirement or modification of the law. (See p. 11.)

COST COMPARISONS FAVOR MILITARY HOSPITAL CARE BUT STAFF AVAILABILITY IS UNCERTAIN

Recent studies show that the current limitations on the space allowed for retirees and dependents of retired and deceased personnel in new military facilities may not lead to the most cost-effective size options available to the Federal Government. While GAO did not independently study the cost of military medical care compared to civilian care, it believes two recent studies supply strong evidence that treatment in military facilities may, in some cases, be more cost effective to the Government.

Studies of the life-cycle costs of the proposed new San Diego Naval Hospital and the Fort Carson Army Hospital show it is considerably less costly to DOD to treat beneficiaries in the military hospitals than to pay for their care from civilian providers under CHAMPUS. GAO believes DOD should have some flexibility to plan additional space in military hospitals and clinics to treat retirees and dependents of retired and deceased members when it is cost effective.

In spite of the cost advantages of providing care in military facilities, it is uncertain whether the military services can provide sufficient staff to meet expected future workloads. Service projections indicate that there will be more military physicians available in the future. However, GAO believes projected physician strength is uncertain because it depends on such variables as physician pay levels and scholarship programs subject to change.

GAO believes the projected availability of medical staff should be applied as a constraint on determining the size of military hospitals. However, since staff availability becomes more uncertain as projections become longer in range, DOD should use projections of staff availability no more than 5 years in the future, whenever possible, as a constraint on size when making facility construction plans.

A new policy of sizing military medical facilities is also needed to help reconcile currently inconsistent policies. A conflict exists between DOD's policy on sizing new military hospitals and clinics and its policy on allocating staff and other resources for facilities after they are built.

While DOD policy limits the space to be planned in new inpatient and outpatient facilities by the 5- and 10-percent factors, no such policy limits staff and other resources that can be provided after the facility is constructed. This can result in staff being provided to individual facilities in excess of their designed capacities. A new sizing policy based on considerations of cost effectiveness and projected staff availability would be more in agreement with DOD's policy on allocating staff and other resources to existing medical facilities.

RECOMMENDATION TO THE CONGRESS

Because of the advantages to be gained from a new policy on sizing military medical facilities--correction of improper sizing practices by the military services, life-cycle cost savings, and reconciliation of currently conflicting policies--GAO recommends that the Congress amend title 10, section 1087, U.S. Code, to allow for the sizing of military medical facilities based on (1) cost effectiveness, (2) projected staff availability, (3) realistic workload

projections, and (4) teaching and training requirements. GAO's report includes proposed language for such an amendment. (See app. III.)

RECOMMENDATIONS TO THE SECRETARY OF DEFENSE

Pending enactment of new legislation, the Secretary of Defense should:

--Direct the Secretaries of the Army, Navy, and Air Force to uniformly apply the current size limitations to both inpatient and outpatient facilities when programing space in new hospitals and clinics.

--Review the 5- and 10-percent factors used in sizing military medical facilities, as suggested in the conference report on the military construction appropriations bill for fiscal year 1977, to determine if these percentages are still valid for meeting teaching and training requirements.

--Consider, as part of the review, whether the 5- and 10-percent factors are the most appropriate factors to apply to outpatient and inpatient facilities.

--Revise DOD Instruction 6015.16, as necessary, based on the results of the review of the 5- and 10-percent factors. (See p. 33.)

If the Congress modifies the law in accordance with GAO's recommendation, DOD will need to develop a new sizing method which programs space in new or replacement medical facilities based on these four limitations:

--Life-cycle cost effectiveness.

--Projected staff availability.

--Realistic workload projections.

--Teaching and training requirements.

Each of the four limitations will generally lead to a different size estimate, requiring DOD to select the most appropriate one. This report describes how this can be done.

AGENCY COMMENTS

DOD concurred with GAO's recommendations to the Congress and will propose legislation to amend title 10, section 1087, U.S. Code, as GAO recommended. DOD stated that its acceptance of GAO's recommendations is based on the understanding that its medical facilities construction program for fiscal year 1982 will not be affected by GAO's proposed changes in DOD's sizing methodology since delays in proceeding with projects in the 1982 program would result in increased costs to the Government. GAO agrees.

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ABBREVIATIONS

CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
DOD	Department of Defense
GAO	General Accounting Office